THE RESOURCE SERVICE GROUP LTD.

ANNUAL REPORT 1973

- Gorman's/Coneco
- Consolidated Bear Industries
- MSN Industries
- Wescan/Rendell
- Okanagan Helicopters

THE RESOURCE SERVICE GROUP LTD.

OFFICERS AND DIRECTORS

John M. S. Lecky
Chairman and Director

W. Michael M. Honey
President and Director

Mark Feldman
Vice-President, Secretary and Director

Stephen M. Krasnow
Treasurer

Gerald A. B. McGavin
Director

George E. Hirst
Director

J. Stuart Spalding
Director

HIGHLIGHTS	1973	1972
Revenues (000's)	**$40,783**	$ 5,985
Income before tax (000's)	**$ 2,256**	$ 357
Net income after minority interest (000's)	**$ 1,078**	$ 147
Earnings per share*	**$ 0.35**	$ 0.09
Working capital (000's)	**$ 6,828**	$ 653
Working capital per share	**$ 1.91**	$ 0.39
Shareholders' equity (000's)	**$11,092**	$ 3,239
Equity per share	**$ 3.10**	$ 1.94
Long term debt to equity ratio	**.52/1.00**	.04/1.00
Total assets (000's)	**$58,275**	$14,332

*Based on weighted average shares outstanding.

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REPORT OF THE DIRECTORS

INTRODUCTION:

The emphasis in last year's annual report fell on the corporate purpose of The Resource Service Group and the guidelines for investment of the Company's assets. This report documents the manner in which these objectives were pursued and outlines significant changes which have resulted during the year.

PROFIT AND LOSS ACCOUNT:

For the purposes of consolidation, the Company uses the "purchase method" which takes into the account profit and losses of member companies only from the dates of purchase. On this basis, net profits were $1.1 million or 35¢ per average share outstanding during the year. The accounts do not reflect the Company's 30% equity in the earnings of an associated company.

SHAREHOLDERS' EQUITY:

Shareholders' equity rose to $11.1 million at December 31, 1973 from $3.2 million a year earlier. Common and preferred shares issued and outstanding increased to 3,577,362 from 1,669,279 at year end 1972. Book value per common and preferred share, however, grew from $1.94 at December 31, 1972 to $3.10 on December 31, 1973 which illustrates that the increase in shares outstanding had a beneficial impact on shareholder net worth.

BALANCE SHEET:

In reflecting a year of asset assimilation, the salient features of this report are largely found in the balance sheet. In conjunction with the expansion of shareholders' equity, fixed indebtedness rose to $5.8 million of which $0.9 million is owed by RSG with the balance owed at subsidiary level. Working capital was also enlarged significantly and stands at $6.8 million, compared to $0.6 million a year earlier. The $1.3 million shown as "premium" over book value of subsidiary companies reflects that most of RSG's assets were acquired near, or below, respective book values.

In addition, the Directors are of the opinion that the real estate owned or on option to RSG companies has a market value well in excess of the value shown in the balance sheet.

SHAREHOLDER SUPPORT:

A further aspect of the year's results was the acceptance of RSG's corporate purpose as a valid business concept, both from operating and financial points of view. The latter could not have been accomplished without support from Canadian savings institutions as well as from those who became shareholders during the year. Particularly important was the contribution by subscribers to 1,051,000 treasury shares in January which enabled RSG to embark on an aggressive acquisition program during a year of generally declining values. As the Company's interests spread, so also did the distribution of its shares in Canada, and, consistent with this process, listings were obtained on the Montreal and Toronto Stock Exchanges during the year.

CORPORATE DEVELOPMENTS:

The purchase offer made in February for additional shares in Okanagan Helicopters Ltd. raised RSG's participation from 20% to 30% of that company's share capital which was expanded by 21% during the period of the offer. This investment, which is the largest shareholding in Okanagan, is of a long-term nature and accordingly is carried in the balance sheet as a non-current asset.

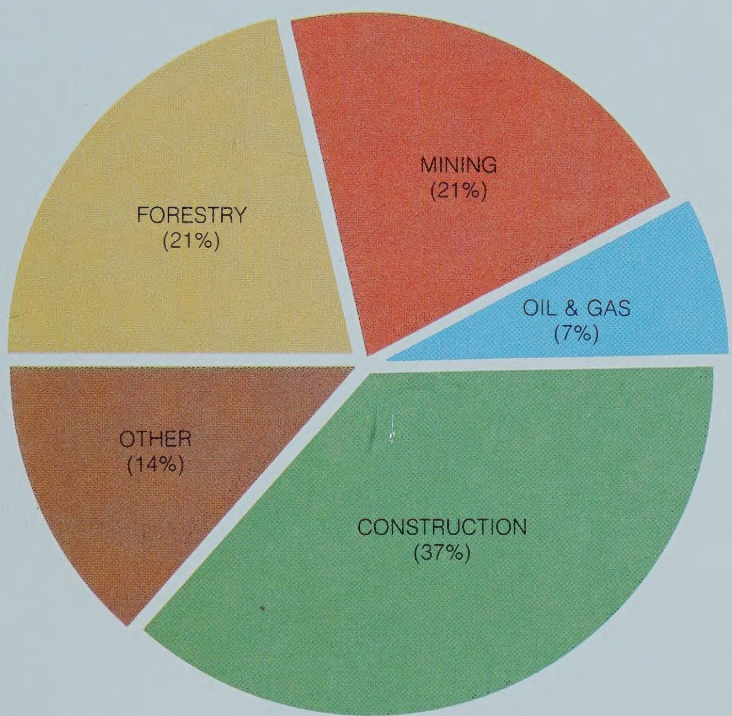
In May, the Company announced a share purchase, for $1.1 million, of the 28.5% minority interest in the Gorman's companies of Edmonton, which became wholly owned as a result.

In July, RSG acquired a 70% interest in Consolidated Bear Industries Ltd. of Calgary for equal consideration in cash and shares totalling $1.8 million.

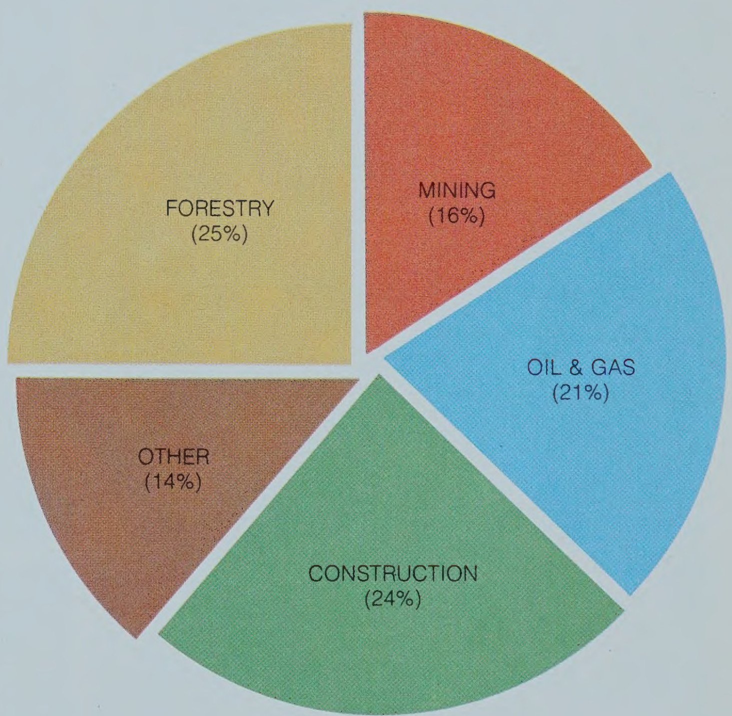
In September, RSG purchased 100% of Wescan Mining Trucks and Equipment Ltd. from Gorman's Ltd. Wescan then assumed substantially all the assets and liabilities in the Rendell Tractor and Equipment companies of Vancouver, B.C., and Spokane, Washington, for $1.6 million, made up of shares, notes and a cash payment.

In December, RSG announced the purchase of 97% of MSN Industries Ltd. of Montreal from Danmont Corporation of the United States. The consideration of $4.9 million was made up of cash, notes, and the assumption of certain indebtedness.

REVENUE BY RESOURCE INDUSTRY



INCOME BY RESOURCE INDUSTRY



RSG CHARACTER:

The culmination of this program has made RSG a national business serving the country's major resource industries in many conventional as well as all of the frontier areas of prospective or extractive industry. Although extremely diverse in activity, the corporate theme is relatively narrow with concentrated interests in, the sale and maintenance of heavy equipment, oil and gas wellhead services, and less directly, remote area transportation.

In the assembly of these operating companies, the guidelines set out in the 1972 annual report have been observed. Each of the companies, described more fully in the following pages, is a leading business in its respective field, and equally important, each has shown the capability to earn above average returns on invested capital.

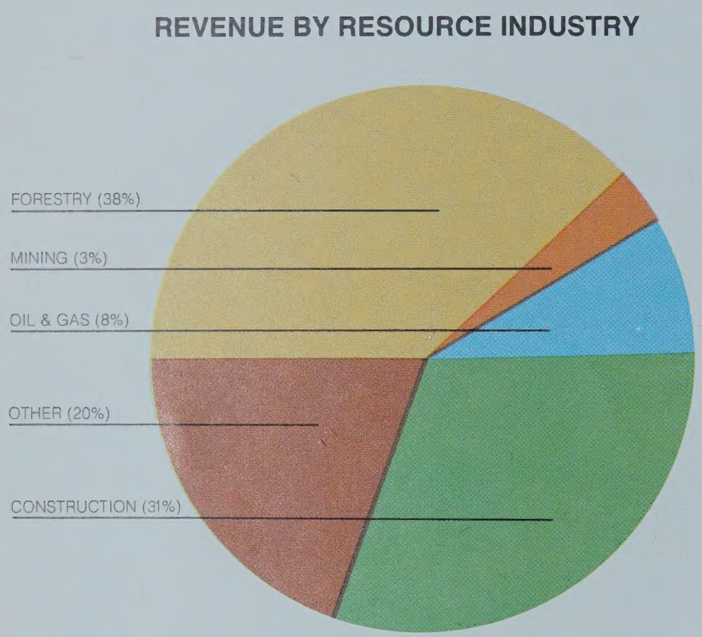
Consolidation of varying operating periods in the 1973 RSG profit and loss statement does not reflect the Group's profit potential. Nor are this year's results suggestive of the opportunities to which the Great Projects of the 1970's will expose the member companies whose possibilities this year's combination should improve.

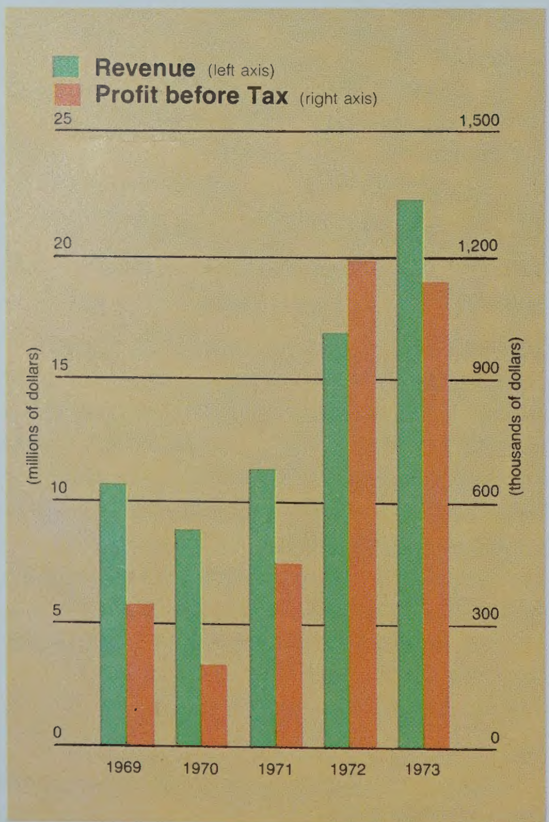
During 1974, we will endeavour to show that an efficient combination of new capital and existing assets in the resource service sector can improve the potential for regular earnings growth at lower risk. It has been well demonstrated by RSG's progress to date that significant financial support is available to this purpose. In addition, considerable confidence can be taken from the operating records of management and employee groups with which RSG is proud to be associated. The efforts of these people in many parts of Canada made up the year's results and to them the Directors wish to record their thanks and appreciation.

John M.S. Lecky

John M. S. Lecky
Chairman

February 18, 1974.





In 1966, Gorman's Ltd. acquired and reorganized Coneco Equipment Limited whose principal business was the agency sale and servicing of heavy construction equipment. In February 1972, Gorman's Ltd. incorporated Wescan Mining Trucks and Equipment Ltd. to market and service the Wabco line of off-highway trucks in Alberta and in B.C. In a corporate reorganization during 1973, Gorman's Ltd. sold 100% of Wescan to RSG.

Sales in Gorman's Ltd. (excluding Coneco) for 1973 were up 24% reflecting management's greater concentration on the equipment and material handling side of the business. The building supply business was disappointing in 1973 and the sale of this interest is currently being negotiated.

Coneco's total sales volume in new and used equipment, parts sales, and service billings increased 32% over 1972 levels, despite slow deliveries from several main manufacturers. Profits did not increase proportionately, however, reflecting a higher margin of expenses to sales which, in good part, related to the expansion program.

At a cost of $1.8 million, Coneco's facilities were expanded at all locations during the year, with a move to new $1 million premises in Calgary, a doubling of the Grande Prairie facility, and a construction program in Fort St. John, B.C. By year end, a large expansion at Edmonton was well advanced. These steps were necessary to bring servicing capability up to the volume of equipment sold, while the added capacity makes up a base which should support further revenue growth at these locations.

The interesting feature of Gorman's/Coneco revenues over the past five years is the increased diversity of source which has been accomplished through growth in the Albertan economy rather than through developments in the Tar Sands, or in the MacKenzie Valley. A further area of service for these companies, as well as for Wescan/Rendell, is the coal industry, which is expected to revivify as a result of rises in Canadian domestic crude oil prices. The equipment requirements for the Syncrude plant will, of course, have a significant impact on the provincial market. Coneco is currently bidding on several large orders.

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1. *KOMATSU* D155A Crawler tractor on a gas pipeline construction project in Medicine Hat, Alberta.

2. *CLARK MICHIGAN* 175B front-end loader stripping over-burden for a gravel pit near Edmonton.

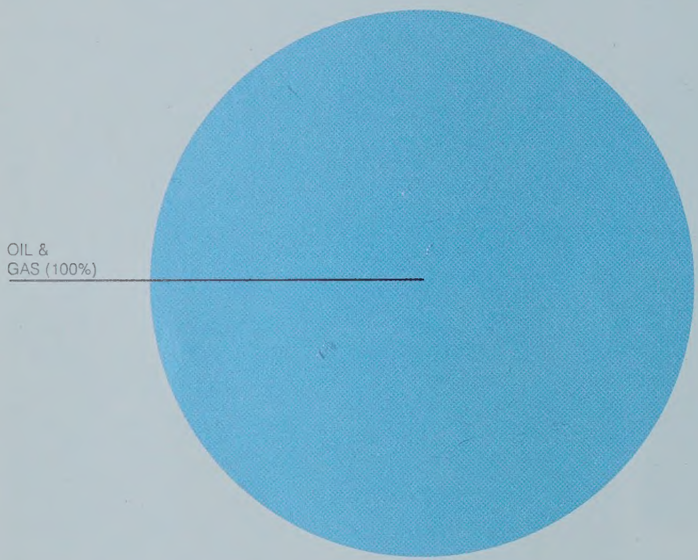
3. *POCLAIN* RC 200 hydraulic log loader, custom engineered by Coneco for logging in the Grande Prairie area, Alberta.

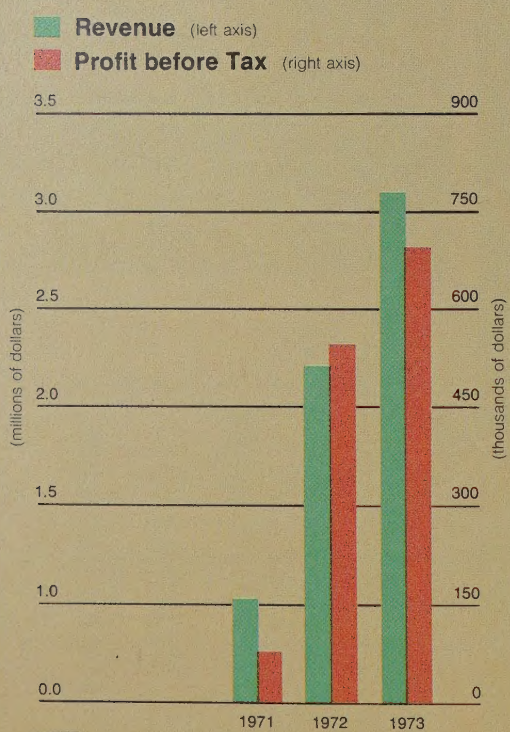
4. *AMERICAN* 50 Ton mobile crane working on oil refinery construction in Edmonton.

5. *GROVE* 45 Ton mobile hydraulic crane erecting steel on the new $1 million extension to the Gorman's /Coneco premises in Edmonton.

CONSOLIDATED BEAR INDUSTRIES

REVENUE BY RESOURCE INDUSTRY





NOTE:
based on operations for the fiscal year ending September 30.

Consolidated Bear Industries is a principle business and holding company whose subsidiary, Bear Tools Co. Ltd., is the leading Canadian company providing fishing and wireline services to the oil and gas industry in Canada. The company also engages in the sale and rental of drilling related equipment, and in the sale of drilling fluids to contract drillers. Fishing and wireline services essentially consist of locating and removing obstructions which impede the production from, or progress in the drilling of, oil and gas wells.

All five Divisions of Bear Tools Co. Ltd. were expanded during the past year: each of 6 service points was expanded with additional equipment and employee numbers were increased in the Fishing Division. The acquisition of Dymac Equipment and operating personnel added an additional service point at Medicine Hat, Alberta and complemented the existing Tool Rental business. Two wireline trucks were equipped to provide Perforating and Completion Logging Services. Service personnel and equipment have been added in the Mud Division. Drilling and Production Equipment Sales have been successful in Canada and abroad during the past year. The company is presently moving into a new store and shop in Fort St. John, B.C.

During the year Consolidated Bear Industries continued a natural gas and oil exploration drilling program in the Viking Area of Alberta, by participating with varying interests in the drilling of 15 wells. This program resulted in 5 gas wells, bringing a total of 10 gas wells in which the company participates. In order to produce the wells, a gas compressor and field gathering system is now being installed.

CBI is dependent on oil and gas well drilling which, following a six-year cycle of underutilization, last year set record highs with maximum employment of Canada's 313 rig population. For the current winter season about 27 rigs were added to the inventory which has not been fully employed due to the unsettled political background to the oil and gas industry.

CBI has some latitude as a specialized service company since it serves all Canadian contractors, and has demonstrated that it can follow the industry offshore and into the Arctic Islands. Plans are currently underway to extend this capability and exposure to other national drilling plays, as well as to broaden the company's basic services.

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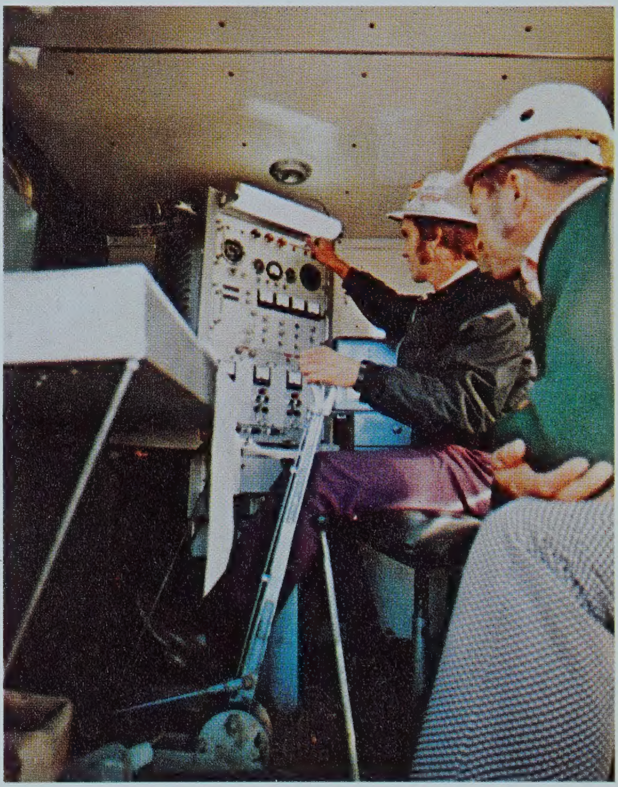
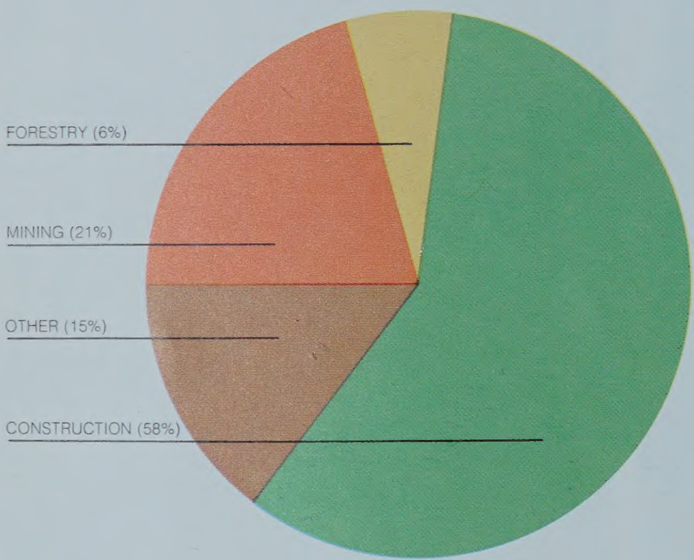


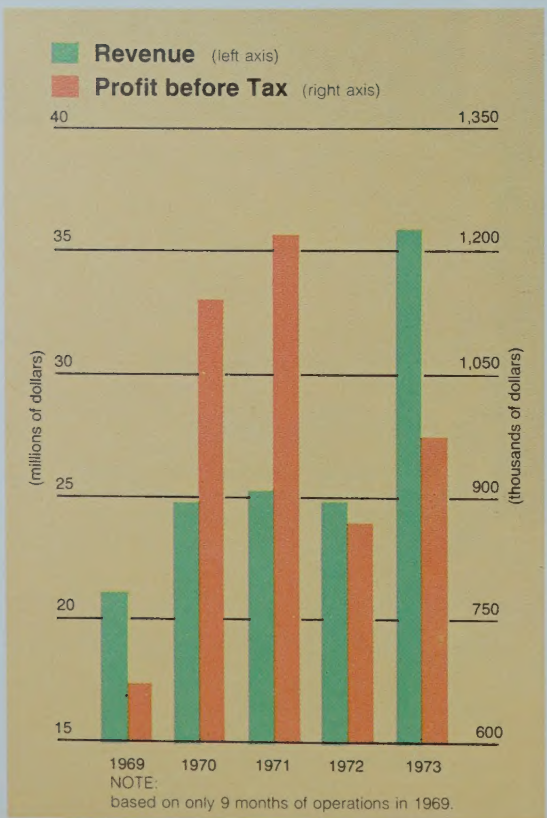
1. *BEAR* line truck spotted on location to perforate an oilwell.

2. *BEAR* servicemen "rigging up".

3. *BEAR's* operator and customer's representative verifying depths and "shooting" the gun to bring another oilwell into production.

REVENUE BY RESOURCE INDUSTRY





MSN is a holding company for a number of operating subsidiaries, the largest being the Mussens Companies which date from 1902. Through the Mussens Companies, Just Equipment, and Ontario Equipment, MSN is engaged in the distribution and servicing of heavy construction and materials handling equipment in Quebec and Ontario.

Consolidated sales have shown a strong growth over the past year, rising from $24.8 million to $36.0 million. Income from sales has not shown the same rate of growth which is partly due to equipment fleet sales at lower margins to larger project operators, and in part due to losses at subsidiary level. Total operating expenses rose with revenues, while net financial expenses were higher as a direct result of the higher cost of money applied to inventories which were higher for most of the year. At year end, booked business was favourable although equipment and parts deliveries were a problem, which may worsen in 1974 before eventually improving.

Encouraging progress has been made during 1973 at Just Equipment of Montreal, which was acquired in late 1972. Management is optimistic for further expansion of Just's sales and earnings base.

Ontario Equipment incurred an operating loss in 1973. The company entered 1974 with a larger fleet of climbing cranes and an additional sales franchise with interesting potential. Attention will be focused in 1974 upon finding more suitable premises and improving operating performance.

Forecasts for airport construction (Stol and Mirabel), Underground Metro transit extension, highway construction, urban redevelopment (Montreal and Quebec), housing construction (population base 5.6 million), mining expansion (Quebec Cartier Mines), Hydropower construction (La Grande Complex), and pipeline extension suggest that equipment demand will stay at a high level through the mid 1970's. Outside the more cyclical components of demand, MSN subsidiaries enjoy steadier basic business from the forestry and mining industries as can be seen from the accompanying chart.

RGS's investment in MSN stems from an earlier stated intention of participating in hydro-power development in La Baie James area through an established service business. In view of the present resurgence in Quebec's economy and investment confidence, it is felt that MSN has a wider potential for growth even without the benefit of this Great Project.

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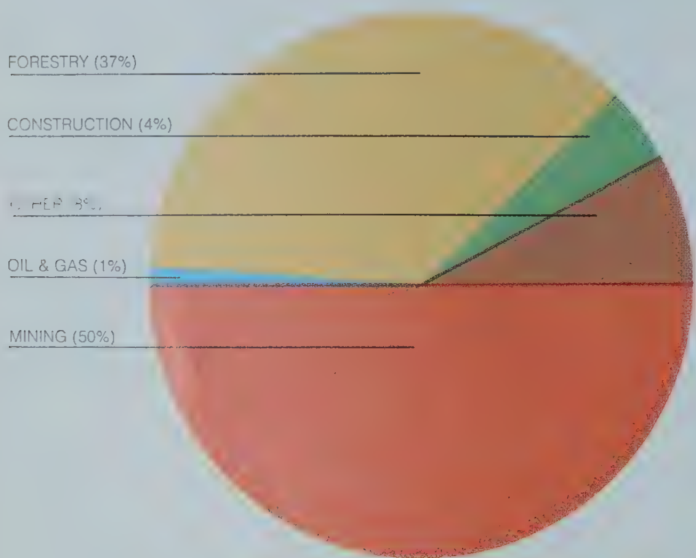
1. *ALLIS-CHALMERS* Model 460B Scraper being push-loaded by an Allis-Chalmers HD41B crawler tractor on construction of the Trans-Quebec highway.

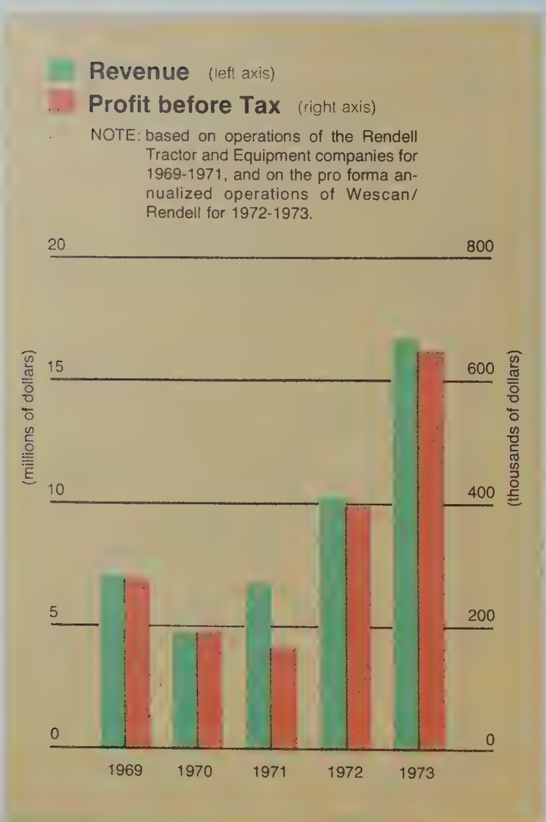
2. Canadian made *ALLIS-CHALMERS* 10,000 lb. gasoline-powered fork-lift truck handling cone crusher mantle at a Quebec foundry.

3. *HARNISCHFEGER* (P&H) H418 hydraulic backhoe working on the permanent access road to L.G.2 at James Bay

4. *HARNISCHFEGER* T750 mobile hydraulic crane loading one of a large fleet of EUCLID trucks destined for construction work in the James Bay area.

REVENUE BY RESOURCE INDUSTRY





The Wescan companies had an outstanding first full year of operations despite intermittent equipment deliveries and parts availability. During 1973, Wescan sold new trucks to mines in every province covered by the Wabco franchise which include British Columbia, the Yukon, Northwest Territories, Alberta and Saskatchewan.

During the year, Wescan's new electric wheel-motor rebuild and service facility was opened in Calgary, and is considered the finest in North America. As a complementary activity in Calgary, an armature rewinding shop was added in support of electric wheel servicing.

Opportunities for Wescan are seen in Tar Sand development, coal development, and other mining projects although proposed new mining legislation has made the B.C. market less certain.

The determination to broaden RSG's foothold in the large B.C. equipment market led to the purchase of assets and the assumption of liabilities of the Rendell Companies as at September 1, 1973. Established in British Columbia in 1922, Rendell Equipment Ltd. and its predecessors distribute and service heavy construction and materials handling equipment for a number of leading manufacturers. The business is carried on from leased premises in Prince George, Vernon, Nanaimo, and Vancouver in B.C. and at Spokane, Washington. The total number of employees is 140. Growth in Rendell sales during the past year was accompanied by additional facilities with the completion of the Vancouver Engine Shop and the installation of two large capacity dynamometers.

Construction was commenced in mid year of a new Vernon Service building which was completed and occupied before the end of 1973.

Orders booked for machines to be delivered during 1974 are greater than in any year in Rendell's past thirty in the machinery business. The outlook for the forest industry, which provides two thirds of Rendell's business, is not without uncertainty, but shortages of forest products, relatively little new production capacity, and the industry's largely favourable energy position, suggest that 1974 sales should continue to show satisfactory growth. New and improved products in the lines franchised should enable the company to obtain a larger volume of non-forest related volume.

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1. The largest production tractor-dozer in the world, the *ALLIS-CHALMERS* HD41, being used in a mining application near Port Hardy, British Columbia.

2. *LINK-BELT* LS 98 TL crawler mounted log loader operating in the Lower Fraser Valley area, British Columbia.

3. *WABCO* "Haulpak" 150 Ton off-highway truck being operated at the Athabasca Tar Sands, Alberta.

4. Wescan's erection crew assembling a 200 Ton *WABCO* "Haulpak" truck at a mine site near Kamloops, British Columbia.

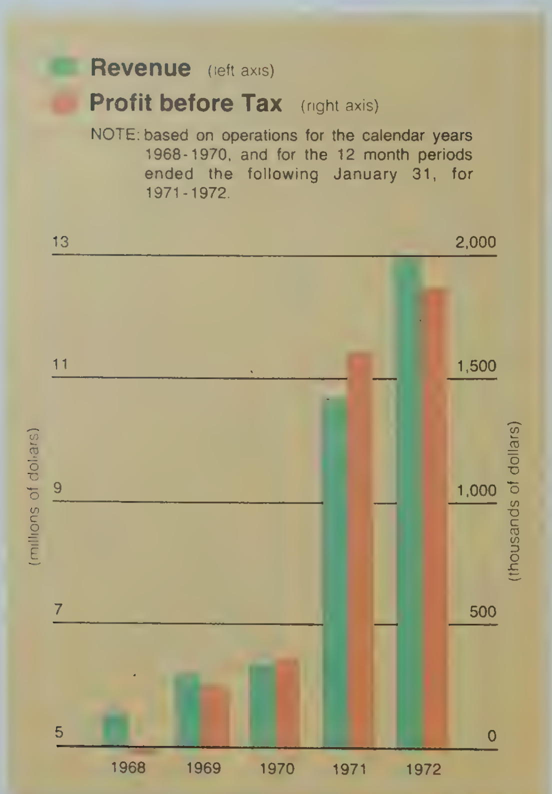
Okanagan currently operates a modern turbine fleet of over 85 light, medium and heavy helicopters at 38 bases across Canada from west to east coasts and up beyond the Arctic Circle. Helicopters in the Okanagan fleet perform a wide range of services such as servicing offshore drilling rigs, pipeline inspections, and transporting of men, equipment and materials to otherwise inaccessible areas.

Operations are conducted from bases in British Columbia (19), Alberta (1), NWT (3), the Arctic (1), Ontario (1), Quebec (6), and the Maritimes (7).

Substantial growth in revenues can be seen over the latter part of the five-year period currently in focus. This is principally due to the activities of a new and energetic management team coincident with record Canadian demand for helicopters over longer operating seasons. In particular, this demand reflected the intensified search for oil and gas on Canada's northern and eastern frontiers. As a result of substantial fleet expansion, Okanagan has considerable gearing and therefore profitability is in close relationship with utilization. This latter factor has not been positive for many small Canadian operators in 1973, and the large companies had a softer year in relation to record industry profits in 1972.

Following the private placement of $7.5 million in secured debentures with Canadian institutions last October, the company improved its long-term financial position and after capital expenditures and debt retirement, an increase in working capital is indicated.

Okanagan has been greatly strengthened over the past five years. Its operations and fleet configuration are tailored to every large Canadian resource oriented activity both in conventional areas and on the frontiers. A major stimulus in any large area, such as East Coast Offshore, the MacKenzie Delta, or Hydropower and line construction from the La Grande river, can move the company's return on equity to above 20% where it has been for two of the last three years under present management.



THE RESOURCE SERVICE GROUP LTD.

- 100% — **GORMAN'S CONECO GROUP**
  - Gorman's Ltd.
  - Coneco Equipment Ltd.
  - Coneco Machinery Ltd.
- 70% — **CONSOLIDATED BEAR INDUSTRIES LTD.**
  - Bear Tools Co. Ltd.
- 97% — **MSN INDUSTRIES LTD.**
  - Mussens Equipment Ltd.
  - Mussens Service (1969) Ltd.
  - Ontario Equipment Ltd.
  - Ontario Equipment Northern Ltd.
  - Colborne Acceptance Ltd.
  - Just Equipment Ltd.
  - Colborne Equipment Co. Ltd.
- 100% — **WESCAN RENDELL GROUP**
  - Wescan Mining Trucks & Equipment Ltd.
  - Wescan Mining Trucks & Equipment (B.C.) Ltd.
  - Wescan Equipment Ltd.
  - Rendell Equipment Ltd.
  - Rendell Equipment Sales Ltd.
  - Rendell Equipment Inc. (US)
- 30% — **OKANAGAN HELICOPTERS LTD.**
  - Universal Helicopters Ltd.
  - Canadian Helicopters Ltd.
  - Haida Helicopters Ltd.
  - Lac St. Jean Aviation Ltée

THE RESOURCE SERVICE GROUP LTD.
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET
as at December 31, 1973 (with comparative figures for 1972)

ASSETS	1973	1972
Current assets		
Cash	$ 273,000	$ 25,000
Accounts receivable	14,180,000	3,324,000
Inventories—note 2	18,148,000	3,633,000
Rental equipment—at lower of cost and net realizable value	14,303,000	3,988,000
Prepaid expenses	136,000	39,000
Income taxes recoverable	151,000	—
	47,191,000	11,009,000
Installment receivables	386,000	—
Investment in Okanagan Helicopters (market value 1973—$2,715,084; 1972—$1,972,312)	3,739,000	1,916,000
Fixed assets—note 3	5,519,000	1,380,000
Other assets	144,000	27,000
Excess of cost of subsidiaries over net book value of assets at date of acquisition—note 1	1,296,000	—
	$58,275,000	$14,332,000

LIABILITIES	1973	1972
Current liabilities		
Bank indebtedness—secured	$13,371,000	$ 790,000
Notes payable—secured	15,429,000	3,481,000
Accounts payable and accrued liabilities	8,948,000	4,618,000
Long term debt due within one year—note 4	748,000	166,000
Income taxes	498,000	254,000
Deferred income taxes	1,369,000	1,047,000
	40,363,000	10,356,000
Long term debt—note 4	5,790,000	130,000
Deferred income taxes	437,000	39,000
Minority interest in subsidiary companies	593,000	568,000
SHAREHOLDERS' EQUITY		
Capital stock—note 5	808,000	617,000
Contributed surplus—note 6	9,059,000	2,475,000
Retained earnings	1,225,000	147,000
	11,092,000	3,239,000
	$58,275,000	$14,332,000

On behalf of the Board
John M. S. Lecky, *Director*
W. Michael M. Honey, *Director*

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

for the year ended December 31, 1973 (with comparative figures for the four month period ended December 31, 1972)

		1973		1972
Sales, rental and service income		$40,093,000		$5,737,000
Other income		690,000		248,000
		40,783,000		5,985,000
Expenses				
Operating and administration	$38,053,000		$5,544,000	
Depreciation	243,000		36,000	
Interest on long term debt	231,000	38,527,000	48,000	5,628,000
Income before provision for income taxes		2,256,000		357,000
Provision for income taxes		1,074,000		162,000
Net income including minority shareholders' interest		1,182,000		195,000
Minority shareholders' interest in net income of subsidiaries		104,000		48,000
Net income for the year		1,078,000		147,000
Retained earnings—beginning of year		147,000		—
Retained earnings—end of year		$ 1,225,000		$ 147,000
Earnings per share—note 5		$0.35		$0.09

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1973 (with comparative figures for the four month period ended December 31, 1972)

		1973	1972
Source of Funds:			
Funds provided from operations			
Net income before minority interest		$ 1,182,000	$ 195,000
Non cash items included in income			
Depreciation	$ 243,000		
Deferred income taxes	157,000	400,000	21,000
		1,582,000	216,000
Working capital of subsidiary companies at date of acquisitions		6,181,000	1,266,000
Issue of common shares		3,579,000	—
Proceeds from long term borrowings		2,138,000	—
		13,480,000	1,482,000
Application of Funds:			
Investment in subsidiary companies	6,904,000		
Less: Issue of common shares and assumption of long term debt as part consideration	2,634,000	4,270,000	1,287,000
Purchase of fixed assets		2,349,000	634,000
Investment in Okanagan Helicopters	1,822,000		
Less: Issue of common shares as part consideration	1,465,000	357,000	—
Repayment of long term debt		291,000	69,000
Other		38,000	11,000
		7,305,000	2,001,000
Increase (decrease) in working capital		6,175,000	(519,000)
Working capital—beginning of period		653,000	1,172,000
Working capital—end of period		$ 6,828,000	$ 653,000

THE RESOURCE SERVICE GROUP LTD.

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1973

1. Basis of Consolidation

The Company is incorporated under the laws of the Province of Alberta.

The consolidated financial statements include the accounts of The Resource Service Group and all of its subsidiaries. During 1973 the Company acquired:

28.5% of Gorman's Limited effective June 1 (now wholly-owned);
70.9% of Consolidated Bear Industries Ltd. effective July 1;
97.0% of MSN Industries Ltd. effective November 1.

In addition a subsidiary acquired substantially all of the assets and operations of Rendell Tractor and Equipment Ltd. effective September 1.

The operating results for the year include the acquired companies from their effective dates of acquisition. Consolidated Bear Industries Ltd., which has a fiscal period ending on September 30, has been included in the consolidated accounts for its fiscal period then ended.

All acquisitions have been recorded on the purchase method and the excess of purchase price over assets acquired at date of acquisition is recorded as goodwill. It is the opinion of management that the goodwill is of continuing value and accordingly it is not intended to amortize this asset.

2. Inventories

	1973	1972
Equipment	**$ 9,822,000**	$1,480,000
Parts and supplies	**7,308,000**	2,040,000
Work in progress	**1,018,000**	113,000
	$18,148,000	$3,633,000

Equipment and parts and supplies are valued at cost or net realizable value, whichever is lower. Work in progress is valued at cost of supplies, labour and applicable overhead.

3. Fixed Assets—at cost

	1973	1972
Buildings and leaseholds	**$2,734,000**	$1,151,000
Furniture, fixtures and equipment	**3,729,000**	119,000
Automobiles and trucks	**893,000**	246,000
	7,356,000	1,516,000
Accumulated depreciation	**2,498,000**	409,000
	4,858,000	1,107,000
Land	**502,000**	273,000
Oil and gas properties and development costs	**159,000**	—
	$5,519,000	$1,380,000

Depreciation is provided on the straight-line method at rates which are designed to amortize the cost of the assets over their estimated useful lives.

4. Long Term Debt

	1973	1972
Sinking fund debentures:		
6¾% Series "B" due 1975	**$ 220,000**	$ —
6½% Series "C" due 1984	**1,165,000**	—
6¼% Series "D" due 1985	**785,000**	—
7½% Series "E" due 1987	**625,000**	—
	2,795,000	—
Mortgage payable:		
8½%-9% maturing over periods to 1977	**113,000**	45,000
2% in excess of prime due 1976	**855,000**	—
1½% in excess of prime due 1973	**—**	41,000
	968,000	86,000
Bank loan—2% in excess of prime	**900,000**	—
Promissory notes:		
7%-9¾% maturing over periods to 1975	**1,144,000**	140,000
½% in excess of prime due 1976	**642,000**	—
2% in excess of prime due 1974	**86,000**	—
	1,872,000	140,000
Finance contracts	**3,000**	70,000
	6,538,000	296,000
Less due within one year	**748,000**	166,000
	$5,790,000	$ 130,000

All long term debt is secured either by the pledge of specific assets or by a general lien on the assets of individual companies.

5. Capital Stock

Authorized

Preferred stock—	1,000,000 shares with a par value of $1 each, fully participating, non-redeemable, voting on the basis of ten votes for each share held and convertible on the basis of one common share for one preferred share at any time.
Common stock—	10,000,000 shares with a par value of $0.10 each.

Issued and fully paid

	Shares			
Preferred stock		500,000		$500,000
Common stock				
beginning of year	1,169,279		$117,000	
issued during the year				
for cash	1,051,000		105,000	
to acquire assets	857,083	3,077,362	86,000	308,000
				$808,000

The earnings per share have been based on the weighted average of the numbers of shares issued and outstanding during the course of the year.

6. Contributed Surplus

Balance beginning of year		$2,475,000
Add:		
Amount received over par value of shares issued during the year		
for cash	$3,153,000	
to acquire assets	3,431,000	6,584,000
		$9,059,000

7. Contingent Liability

Two subsidiary companies are contingently liable as guarantors of 50 customers' outstanding finance contracts in the aggregate amount of $1,572,000, none of which exceeds $216,000.

8. Contractual Liability

Certain premises are leased under long term contracts requiring annual rental payments of $67,000 which mature in 1978 and $110,000 which mature in 1989.

A subsidiary company has a contingent asset in respect of an option to acquire a property presently leased at the termination of the lease in 1989, which option price is less than the estimated present market value of the property.

9. Remuneration of Directors and Officers

Remuneration paid to directors and officers during the period ended December 31, 1973 amounted to $114,000, which includes $36,500 paid by a subsidiary company to its chief executive officer who is a director of the parent company.

AUDITORS' REPORT

The Shareholders,
The Resource Service Group Ltd.

We have examined the consolidated balance sheet of The Resource Service Group Ltd. and its subsidiary companies as at December 31, 1973 and the statements of consolidated income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to the subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous period.

Montreal, Quebec.
February 18, 1974.

Touche Ross & Co.
Chartered Accountants.

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